

Co-branded Credit Card Market Assessment, By Credit Card Type [Physical Cards, Virtual Cards], By Industry Vertical [BFSI, Retail, Education, Hospitality, Travel, Others], By End-user [Consumers, Businesses], By Region, Opportunities and Forecast, 2017-2031F

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Report description:

Global co-branded credit card market is projected to witness a CAGR of 10.26% during the forecast period 2024-2031, growing from USD 13.04 billion in 2023 to USD 28.49 billion in 2031. The global co-branded credit card business continues to grow at a robust pace. High consumer spending increases with an improvement in disposable income have been one of the driving trends associated with this business. E-commerce has emerged as one of the strong propellers of this business, coupled with co-branding between retailers and financial institutions. The rebound of travel and tourism after the pandemic has spurred heightened interest in airline and hotel co-branded cards that focus on rewarding customers to boost loyalty. Technological innovations such as mobile payments and digital wallets increased the availability of co-branded cards. They made it possible to customize and personalize the offer to suit different tastes and preferences. Brand globalization supports this market since it allows co-branded cards to reach customers in markets and geographies. Alongside increasing financial literacy, consumers are getting better value out of the rewards. The favorable regulatory environment that has become a reality in various markets has facilitated the development of these products. All these are driving a very vibrant co-branded credit card landscape that appeals to a wide range of consumers looking for value and rewards in their spending.

Co-branded credit cards are financial products usually issued by banks in partnership with specific brands, such as retailers and airlines. They have dual branding, usually carrying rewards, discounts, and other special benefits tied to the partner brand, and, for this reason, they provide a good incentive for customers to be loyal and spend on the brands. They are some of the most sought-after by consumers who would like to maximize rewards on any of their favorite shopping or travel experiences. In May 2024, Qatar Airways Privilege Club, the loyalty program, announced a partnership with Cardless Inc., one of the players in financial technology with its headquarters located in San Francisco, with a primary objective of developing rewards for travel

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amongst its US members. Under this partnership, Qatar Airways Privilege Club is launching its Qatari Airways Privilege Club Credit Cards, which are set to redefine how members earn rewards for everyday spending.

Collaboration Between Brands to Boost Market Growth

Brand partnership has been a driving factor in the growth of the co-branded credit card market. Financial institutions benefit from using their partners' strengths and customer base. It is the main reason why banks create the most personalized credit cards in response to the needs of consumers through strategically partnering with big retailers, airlines, and providers of services. In these alliances, reward programs are quite often tailored to the ideal customer type's spending behavior to create more value for the card product. In August 2024, Barclays Bank PLC, a UK-based credit card company, and Amazon introduced co-branded credit cards for the United Kingdom market. Card users will earn rewards on everyday purchases and redeemable gift cards on Amazon.co.uk. The earnings on the Amazon Barclaycard card include 1% back on all Amazon purchases and 0.5% on everyday spending outside of Amazon in the first 12 months, after which the rate reduces to 0.25%. Also, Prime members receive 2% cash back on all Amazon spending during special shopping event days such as Cyber Monday, Black Friday, and Prime Day.

As an illustration, with such an alliance with a bank, the airline might be able to return frequent flyer miles per dollar charged by their customers, and the retailer rewards with discounts or cash back on purchases made with their co-branded card. Such collaborations attract new customers and make existing cardholders spend more within the partner's ecosystem. Also, such an alliance can strengthen brand loyalty as consumers use brands offering perceived benefits through co-branded credit cards. With brands always trying to find new, innovative ways to reach customers, the co-branded credit card market is expected to opt for a huge surge in collaborative efforts.

Growing E-commerce to Drive Market Growth

The rapidly growing e-commerce industry drives the market share of co-branded credit cards as more consumers seek the convenience of purchasing varied products and services online. Increasing tie-ups of digital retail, banks, and financial organizations with e-commerce platforms ensure the development of co-branded credit cards that include reward schemes and incentives best suited for electronic spending. Such cards are increasingly offering greater benefits. Such co-branded cards usually provide higher cash back compared to regular cards, unique discounts, and special promotions that offer specific offers or bargains when shopping on the partner's website.

E-commerce has flourished in the last few years, particularly in fashion, electronics, and grocery industries cards, which are a great way to earn rewards with minimal hassle in shopping. This helps to integrate cards with mobile payments for faster and more secure transactions, thus forcing people to use them. This alignment makes a consumer benefit through improved purchasing power. Brand loyalty is heightened as shoppers are encouraged to return to their favorite e-commerce sites. With the e-commerce space rapidly growing, the co-branded credit card market is expected to be fueled further with open opportunities for financial and retail firms. In August 2024, Mastercard Inc., an American credit card company, and WestJet are pleased to introduce Canada's first-ever, always-on Priceless Platform. Priceless experiences for WestJet RBC Mastercard cardholders will become instantly accessible through a dedicated microsite, priceless.com, or Westjet. They will be able to access a wealth of card benefits and exclusive offers.

Retail Segment to Dominate the Co-branded Credit Card Market Share

The retail segment leads the market for co-branded credit cards based on increasing retail and bank partnerships. Co-branded credit cards offer attractive rewards, discounts, and exclusive privileges to consumers, which increases customer loyalty and engagement. Retailers have attempted to drive sales through such partnerships while gathering valuable customer information with which they can fine-tune marketing strategies and upgrade customer experiences. As competition continues to be encouraged, retailers opt for differentiation since they are capable of offering unique financial products that appeal to their target customers. Also, e-commerce growth has accelerated the business of co-branded credit cards since internet shoppers look for flexible payment options and reward points on their purchases.

In addition to this, advanced technologies include mobile payment solutions and personalized offers, which increase the attraction of co-branded cards, making them an important tool for achieving customer retention. Rising emphasis on customer loyalty and smooth shopping experiences continues to have the retail segment and lead to a share in the co-branded credit card market. In July 2024, Expedia Group, Inc. partnered with Wells Fargo and Mastercard Inc. to unveil two new co-branded credit cards, the One Key Card and One Key+ Card, as a part of the loyalty program, One Key, to provide the United States travelers flexibility, savings,

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and rewards. Through these credit cards, travelers will earn OneKeyCash, redeemable across one of Expedia, Hotels.com, or Vrbo toward eligible bookings of hotels, vacation rentals, car rentals, activities, and flights.

North America to Dominate the Co-branded Credit Card Market Share

North America is dominating the share of the global co-branded credit card market. This has been underpinned by strong banking infrastructure and significant consumer engagement with credit products. Top brands have helped establish a comprehensive portfolio of co-branded credit cards for consumers with varied tastes and preferences. These co-brand partnerships create desirable rewards and loyalty programs with famous retailers, airlines, and service providers, making co-branded cards more attractive to consumers. Robust e-commerce growth in the area and increased momentum in the travel sector increase the attractiveness of co-branded cards, as most of them often contain special discounts and benefits related to these sectors. Continuous innovation makes for a competitive landscape, thereby enhancing the prospects that consumers will be presented with attractive offerings. North America stands out in terms of co-branded credit cards, with strong advanced financial services, an overwhelming number of available partner brands, and a highly tech-savvy consumer base.

Asia-Pacific is the next emerging region in the co-branded credit card market. Rapid economic growth boosts the demand for credit products, and an increasing disposable income, along with an expanding middle class, drives the market demand.

Increased interest has been seen in co-branded cards due to the boom of e-commerce and digital payment solutions in consumers, especially among youngsters who are interested in rewards and benefits while spending.

Asia-Pacific financial institutions cooperate with international and local brands while developing products that are closely in tune with the diversified needs of consumers. In October 2024, ICICI Bank collaborated with MakeMyTrip to introduce a premium co-branded credit card exclusively designed for aspiring travelers. MakeMyTrip ICICI Bank Credit Card is feature-rich, and through this card, unlimited rewards are offered that never expire. On bookings for hotels, flights, holidays, cabs, and buses, the cardholders will be rewarded with 3% myCash. On other retail outlets, the account holder would get 1% myCash besides any other MakeMyTrip discount.

Future Market Scenario (2024 – 2031F)

- Mass-tailored rewards and benefits are relevant to the consumption preferences of individual customers with a higher cost-benefit ratio.

- Implementation of AI and machine learning capabilities to enable enhanced risk assessment and prevent fraud.

- Digitalizing customer service and support to ease users' account management and more accessible reward programs.

- Expansion efforts to increase credit product awareness among consumers will gradually lead to the right usage and market growth.

Key Players Landscape and Outlook

The co-branded credit card market has high competition from financial institutions, payment networks, and retail brands vying to get a foothold in the hearts of consumers. The key players have different strategies to remain at the top. One of the key strategies is the development of customized rewards programs that are pertinent to targeted consumer segments, thereby encouraging loyalty and usage. Partnerships with leading retailers and travel providers help issuers generate an attractive card membership proposition that draws in new customers. Additionally, it allows issuers to leverage data analytics to tailor marketing efforts and boost customer engagement. Other technological innovations include introducing mobile payments and more sophisticated fraud protection offerings. Many players focus on sustainability by developing eco-friendly cards and supporting environmentally friendly ventures, thereby targeting an increasingly important constituency of eco-conscious consumers. In doing so, key players continue to adjust to the dynamic market trends and consumer choices to gain a competitive edge over others and increase their market share.

In August 2024, Axis Bank and Visa Inc., an American card payment company, introduced Primus, an ultra-luxury credit card conceptualized to redefine the luxury experience. It is a by-invite-only super-premium card available exclusively to ultra-high-net-worth customers of Axis Bank. Card members in India will, for the first time, benefit from globally recognized, bespoke privileges and benefits curated under the Visa Infinite Privilege program.

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*Companies mentioned above DO NOT hold any order as per market share and can be changed as per information available during research work.

20. Strategic Recommendations

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